



Global Water Resources (GWR)

Updated August 20th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	\$8.77	5 Year Annual Expected Total Return:	1.7%	Market Cap:	\$257 M
Fair Value Price:	\$5.94	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	08/17/26
% Fair Value:	148%	5 Year Valuation Multiple Estimate:	-7.5%	Payment Date:	08/31/26
Dividend Yield:	3.5%	5 Year Price Target	\$7.95	Years Of Dividend Growth:	10
Dividend Risk Score:	F	Sector:	Utilities	Rating	Hold

Overview & Current Events

Global Water Resources is a water resource management company that owns, operates, and manages regulated water, wastewater, and recycled water utilities primarily in metropolitan Phoenix, Arizona. As of the end of last year, Global Water Resources served more than 121,000 people in 40,000 homes. Global Water generated around \$56 million in revenue last year and pays its dividends on a monthly basis.

On August 12th, 2026, Global Water reported its second-quarter results for the period ending June 30th, 2026. Revenue grew by 24.8% year-over-year to \$17.8 million. The increase reflected \$2.1 million of unregulated revenue related to the commissioning of a new wastewater reclamation facility, along with the Tucson Water acquisitions, organic connection growth, increased consumption, and higher rates.

Water consumption grew 6.1% year-over-year to 1.2 billion gallons, while active service connections increased 5.8% to 69,429, including 2.7% organic growth. Subsequent to quarter-end, the ACC approved GW-Palo Verde's rate-case withdrawal, while hearings concluded for GW-Santa Cruz's proposed \$2.3 million annual revenue increase. A final decision is expected during the fourth quarter, with new rates requested to take effect November 1st, 2026. EPS increased to \$0.10 from \$0.06 last year, partly reflecting the unregulated revenue recognized during the quarter.

Global Water continues to tap into the fragmented state of Arizona, which is currently amongst the U.S.'s fastest homeownership growth rates – hence the consistent organic growth. The company also continues to pursue accretive acquisitions with consolidation benefits and expects continuous growth in connections and rates.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
EPS	(\$0.13)	\$0.23	\$0.15	\$0.10	\$0.05	\$0.16	\$0.24	\$0.33	\$0.24	\$0.11	\$0.14	\$0.44
DPS	\$0.26	\$0.27	\$0.28	\$0.29	\$0.29	\$0.29	\$0.30	\$0.2979	\$0.3012	\$0.3036	\$0.30	\$0.34
Shares¹	19.1	19.6	20.5	21.5	22.5	22.6	23.2	24.0	24.2	27.0	28.8	30.0

Global Water has some tailwinds, including recycling over one billion gallons of water annually, higher rates at GW-Saguaro and GW-Farmers, and continued organic growth in its service areas, with active connections excluding acquisitions up 3.2% year-over-year in 2025. As such, we expect EPS to expand massively when expansionary investments slow down. To reflect the stock's actual EPS potential, effectively excluding its current capital-intensive investments, we have used underlying earnings power of \$0.33, growing by a rate of 6% annually through 2031. Note that this is a 'potential' figure, rather than something that's likely to materialize this year. Wall Street consensus EPS estimate for the year is \$0.14.

In terms of its dividend, the company uses a complex financing strategy. Since the underlying net income does not cover dividends, management had been consistently issuing shares and using the proceeds to pay the monthly dividend. In a sense, the monthly dividend plays the role of interest paid to shareholders for "lending" their funds to the company. While this strategy would not be sustainable in the long-term, the company expects to see significant EPS growth over

¹ Share count is in millions.

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the next few years, as its growth eventually matures and net income catches up to the dividends paid. Management has been growing the dividend annually by fractions (0.8% most recently) as a token to shareholders for their patience as the company drains its margins in order to grow. Consequently, we expect DPS to keep growing by no more than 2%.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	---	---	---	---	---	---	---	---	---	---	26.6	18.0
Avg. Yld.	1.3%	2.8%	2.8%	2.7%	1.9%	1.6%	1.9%	2.8%	2.5%	3.0%	3.5%	4.2%

The company's past P/E ratios are not meaningful due to management's strategy mentioned above. The stock is now trading at a P/E of 26.6 based on our speculative earnings power. Shares seem much more expensive based on reported earnings. We maintain our fair P/E to 18. Our discount is to reflect the soft, mid-single-digit EPS growth prospects, as well as the rise in interest rates. Investors appear to appreciate the secured cash flows that come from water being an essential utility and the regulatory rate increases, but we still find the stock very expensive. Shares offer a dividend yield of 3.5%, which remains rather underwhelming given the lack of vigorous dividend growth prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

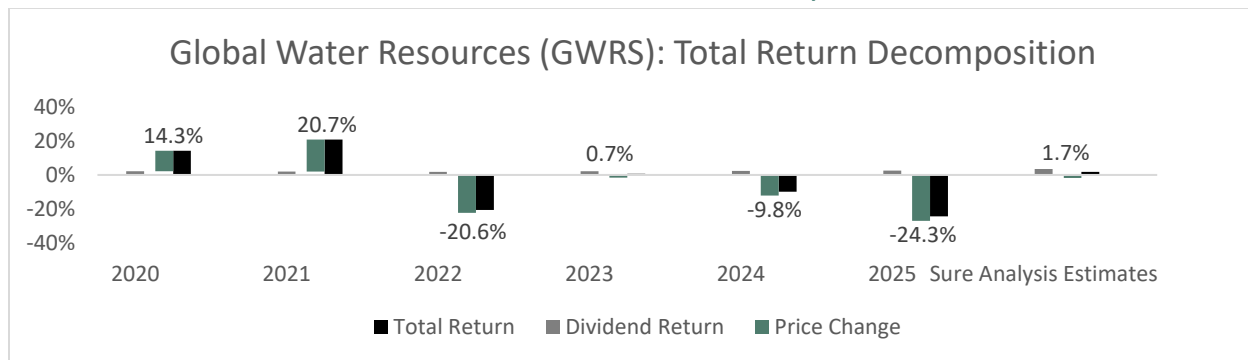
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	117%	185%	288%	576%	182%	123%	90%	126%	276%	92%	76%

To claim that Global Water's dividends are safe would be reckless. Management is leveraging its business's highly-secure cash flows to fund its payments and, while it is currently working, payout safety is largely speculative. Their strategy of issuing shares in order to pay dividends is not exactly a textbook financing case. Still, the company is growing in one of the most attractive cities, benefiting from solid organic growth and the industry's stability. We believe that Global Water is subject to minor operational risks and should continue expanding. Its history as a public company is not that long. Still, cash flows should remain robust even under a heavy recession. Further, the company should not face significant competition going forward, as water provision is a regulated capital-intensive business.

Final Thoughts & Recommendation

Global Water is a truly unique case. The company is benefiting from several catalysts, including organic growth, amid operating in one of the U.S.'s fastest-growing areas. Consequently, the company is able to request above-average rate increases while enjoying robust cash flows due to its business model. Still, management's capital allocation strategy may be too exotic for some investors. Since our expected EPS forecast is quite speculative, our expected returns remain quite speculative as well. In any case, we are currently estimating that shareholders will see a 1.7% return per year through 2031 as the market is likely to continue to overvalue the company. Our thesis has held true since initiating coverage of the stock. The only reason we rate the stock a hold is due to its decade-long dividend growth track record.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	30	31	36	35	38.6	41.9	45	53	53	56
Gross Profit	22	24	27	27	29.1	31.6	34	40	39	25
Gross Margin	73.0%	75.8%	76.8%	74.9%	75.4%	75.4%	75.6%	75.5%	73.6%	44.6%
SG&A Exp.	10	9	11	11	12.7	15.2	16	17	17	18
D&A Exp.	6	7	7	8	9	9.5	10	12	13	15
Operating Profit	6	7	9	7	7.3	7	8	12	9	7
Operating Margin	19.5%	23.5%	26.1%	19.6%	18.9%	16.7%	17.8%	22.6%	17.0%	12.5%
Net Profit	(3)	5	3	2	1.1	3.6	5.5	8	6	3
Net Margin	-8.4%	14.6%	8.7%	6.3%	2.8%	8.6%	12.2%	15.1%	11.3%	5.4%
Free Cash Flow	(7)	(10)	7	0	5.4	2.1	(11)	3.1	(10.5)	(47)
Income Tax	(1)	(1)	2	1	0.8	1.2	1	2.9	2	1

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	239	239	262	266	283	294	323	361	405	495
Cash & Equivalents	20	5	13	8	18	12.6	7	3.1	9	4
Accounts Receivable	1	2	1	2	2.5	2.2	2.6	3.4	3.2	7
Inventories	---	---	---	---	---	---	---	---	---	---
Goodwill & Int. Ass.	13	13	16	17	16	16.1	15	19.7	18	13
Total Liabilities	224	224	235	241	251	264	279	312	358	409
Accounts Payable	2	0	1	1	0.5	2.1	2.2	1	2.1	2.3
Long-Term Debt	114	114	114	114	114	113	109	108	122	138
Shareholder's Equity	15	15	28	25	32	30	44	48	48	87
LTD/E Ratio	7.62	7.70	4.11	4.64	3.56	3.75	2.45	2.21	2.57	1.60

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	239	239	262	266	283	294	323	361	405	0.7%
Return on Equity	20	5	13	8	18	12.6	7	3.1	9	4.4%
ROIC	1	2	1	2	2.5	2.2	2.6	3.4	3.2	1.5%
Shares Out.	---	---	---	---	---	---	---	---	---	27
Revenue/Share	13	13	16	17	16	16.1	15	19.7	18	2.06
FCF/Share	224	224	235	241	251	264	279	312	358	(1.74)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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